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INTELLIGENCE MEMORANDUM

THE EXTENT AND PROBABLE CONSEQUENCES
OF THE DROUGHT OF 1952 IN YUGOSLAVIA

CIA/RR IM-369

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THE EXTENT AND PROBABLE CONSEQUENCES
OF THE DROUGHT OF 1952 IN YUGOSLAVIA

1. General Agricultural Situation.

The 1952 agricultural production of Yugoslavia has been gravely affected by the lack of adequate preseasonal rainfall; a drought in the early spring (April and the first half of May); and a dry, searing midsummer which has produced drought conditions reminiscent of the drought of 1950. Preliminary estimates by the Yugoslav Government show a reduction in crop yields per hectare, as compared with 1951, by the following percentages: wheat and rye, 20 percent; corn, 40 to 50 percent; potatoes, 30 to 40 percent; and fruit, 50 percent. 1/* The unfavorable outlook for feed grains and hay has already caused the peasants to begin selling livestock which they will be unable to carry through the winter. During August, prices of corn and forage crops doubled, while cattle and hog prices dropped by one-third. 2/

2. Effect of Drought upon Food and Feed Requirements.

The magnitude of the crop losses in Yugoslavia is shown in Table 1,** where production for 1952 is compared with production for 1951 and for the drought year 1950. As seen in Table 1, grain and potato production in 1952 is only slightly larger than in 1950. As a result, it is to be expected that the Yugoslav Government will encounter serious difficulties in the fall and winter of 1952-53 in meeting domestic requirements for food and possibly feed unless there are substantial grain imports.

The Yugoslav Government has estimated the country's annual wheat requirements at between 2.4 million and 2.5 million metric tons. 6/*** Since 1949, Yugoslavia has imported wheat because indigenous production has not been sufficient to satisfy domestic requirements. Corn, the only surplus grain, has been exported to obtain foreign exchange to purchase wheat or to be exchanged for wheat. In 1951-52, through barter agreements, Yugoslavia imported 204,500 metric tons of wheat in exchange

* Footnote references in arabic numerals are to sources listed in the Appendix.

** Table 1 follows on p. 2.

*** Based upon preliminary grain balances, this quantity allows approximately 75,000 metric tons for stockpiling. See Table 2, p. 5, below.

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Table 1

Yugoslav Production of Selected Agricultural Commodities
for 1950-52, with Comparisons

Commodity	1950 <u>a/</u>	1951 <u>a/</u>	1952 Preliminary <u>b/</u>		
	(Thousand Metric Tons)	(Thousand Metric Tons)	(Thousand Metric Tons)	(Percent of 1950)	(Percent of 1951)
Wheat	1,826.7	2,277.4	1,900.0	103.8	83.3
Rye	218.7	276.6	253.3	115.8	91.6
Barley	266.0	358.8	270.0	101.5	75.3
Oats	194.5	292.7	232.0	119.3	79.3
Corn	2,500.0 <u>c/</u>	4,032.7	2,500.0 <u>c/</u>	100.0	62.0
Total Grain	<u>5,005.9</u>	<u>7,238.2</u>	<u>5,155.3</u>	<u>103.0</u>	<u>71.2</u>
Potatoes	1,018.8	1,621.3	(1,194.1) (1,026.9) <u>d/</u>	117.2 100.8	73.7 63.3
Sugar Beets	850.6	1,936.6	941.8 <u>e/</u>	110.7	48.6

a. 1950 and 1951 production data except for corn figure. 3/b. Official Yugoslav statistics except for corn figure. 4/

c. Agreed estimates of CIA and Office of Foreign Agricultural Relations (OFAR), Department of Agriculture.

d. Higher figure based upon 30-percent reduction of yield; lower figure based upon 40-percent reduction of yield.

e. Based upon 40-percent reduction of yield. 5/

for 216,500 metric tons of corn. Prior to August 1952, it had been reported that the 1952-53 wheat import program would be 50 percent larger than that for 1951-52, or approximately 300,000 metric tons. 7/ However, since the impact of the drought upon the corn crop has been fully recognized, the Yugoslav Government has estimated import requirements at 700,000 metric tons of wheat and 250,000 metric tons of feed grains. 8/ This amount of grain should be considered as optimum needs.* Based upon preliminary grain balances, ORR estimates import requirements of bread grain at approximately 565,000 metric tons. ORR estimates import requirements of feed grain as insignificant, assuming that

* This amount of grain is more than double that imported in 1950-51 under the aid program -- 435,000 metric tons.

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livestock will be carried through the winter at lighter weights and at approximately the same numbers as carried through the 1950-51 winter. On this basis, there would be a reduction in hog and cattle numbers of only 2 percent from 1952, and it is probable that farmers have already reduced their herds by this percentage or more. A severe winter could mean the necessity of importing 100,000 to 200,000 metric tons of feed grain, but the feed should not be needed until late winter.

The quantity of wheat imports estimated as necessary by ORR would maintain the population at 1951 levels of consumption, but only if stocks were utilized and uniform distribution of bread were realized.* It is doubtful that both of these conditions will be met, and belt tightening probably will be in order for the urban population and in some rural areas. Foods other than bread which will be in short supply are potatoes, meat (next spring), vegetables, and fats and oils. Although 1952 sugar beet production has been significantly reduced, there should be sufficient stocks of sugar on hand from the large 1951 crop to alleviate partially the 1952-53 sugar deficit.

In the fall of 1952 the Yugoslav Government will experience more difficulty in obtaining grain from the peasants than in 1950, when Yugoslavia had compulsory grain deliveries and food rationing. The over-all urban bread consumption will be higher, and the Government will be hampered in collecting grain by its desire to retain the free market. Unless there are sufficient Government stocks** on hand that can be used to supply the normally deficit areas of Dalmatia and Bosnia-Herzegovina, the population in those areas may experience serious food shortages during the winter. Since food rationing has been discontinued, the short supply of any commodity will make equitable distribution of available food commodities a problem. The Government has stated that neither food rationing nor compulsory deliveries of produce will be reintroduced. This appears to be a strong stand to take, at least concerning food rationing, as the Yugoslav Government has indicated that it is unable to finance approximately \$55 million of the total amount of food that it desires to import. 9/ A 10-percent reduction in bread consumption could result in the saving of approximately 215,000 metric tons of wheat, or \$18 million to \$20 million.

* See Table 3, p. 6, below, for the 1952-53 grain balance.

** Boris Kidric, Chairman of the Yugoslav Federal Economic Council, has claimed 150 billion dinars of food stocks but implied that they would be made available only to the urban population.

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3. Some Possible Impacts of Drought upon the Economy.

The importation by the Yugoslav Government of 950,000 metric tons* of grain and other food commodities -- the quantity that it considers necessary to import in order to retain a free market and 1951-52 per capita bread consumption rates -- and Yugoslavia's inability to export corn to help finance these imports would adversely affect the Yugoslav balance of payments position. Officials of the International Bank for Reconstruction and Development (IBRD) have estimated the resulting loss at approximately \$120 million.

The American Embassy in Belgrade has been approached by the Yugoslav Foreign Office on the possibility of importing 100,000 to 150,000 metric tons of wheat or wheat flour from the US under the Mutual Security Agency (MSA) program. The purchase of this quantity of wheat would require approximately \$9 million to \$13.5 million (at parity prices but not including transportation charges). Importation of this quantity of bread grain would represent 12 to 18 percent of the total aid to Yugoslavia authorized for US fiscal year 1952-53. The incorporation of this aid in the US fiscal year 1952-53 program would necessitate a shifting in priorities and/or grants.

Probably of more serious consequence is the elimination of corn exports. Corn accounted for 40 percent of the value of all Yugoslav exports during the first 6 months of 1952. 10/ The loss of such a high proportion of foreign exchange will seriously endanger the over-all Yugoslav import program, and this in turn may force a reduction in the capital investment program.

Despite the previously mentioned effects of the drought on the economy of Yugoslavia, it is felt by the American Embassy in Belgrade that the economy probably is better able in 1952 to offset the drought damage than it was in 1950. The people will suffer, however, as they always do when drought conditions prevail -- through financial losses to farmers, the increased cost of living to the urban population, and a decline in the quality and quantity of the diet.

* 366,000 metric tons of wheat have been contracted for by the Yugoslavs of the 950,000 metric tons of grain.

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Table 2

Yugoslavia: Preliminary Grain Balance 1951-52

Grain	Non-Food Requirements						Food Requirements			Carry-over		
	Production a/ 277.4	Net Trade b/ (+) (-)	Stocks c/ 0	Total Supply 2,481.9	Seed d/ 325.3	Waste d/ 49.6	Feed e/ 24.8	Industrial f/ 25.0	Total 424.7		Gross Per Capita g/ 123.5	Total Requirements 2,045.6
(Thousand Metric Tons)												
Wheat	2,277.4	(+)204.5	0	2,481.9	325.3	49.6	24.8	25.0	424.7	123.5	2,045.6	11.6
Rye	276.6	0	0	276.6	52.1	5.5	5.5	15.0	78.1	8.3	137.4	61.1
Barley	358.8	0	0	358.8	47.3	7.2	279.3	0	333.8	1.0	25.0	0
Oats	292.7	(-) 1.4	0	291.3	50.9	5.8	234.6	0	291.3	0	0	0
Industrial	4,032.7	(-)500.0	0	3,532.7	93.3	70.7	2,084.7	50.0	2,298.7	74.5	1,234.0	0
Total	7,238.2	(-)296.9	0	6,941.3	568.9	138.8	2,628.9	90.0	3,426.6	207.3	3,442.0	72.7

1951 production based upon official Yugoslav statistics. 11/

US estimates. 12/

Over and above channel stocks; it is estimated that none were carried over from 1950-51.

Seed: 175 kg/ha for wheat and rye; 150 kg/ha for oats and barley; 40 kg/ha for corn. Waste: 2 percent of the crop.

Feed: Wheat -- 1 percent; rye -- 2 percent; barley -- residual after seed, waste, food, and industrial.

Industrial uses based upon prewar practice.

January 1952 population, 16,557,000.

Over and above channel stocks.

American Embassy, Belgrade, states wheat consumption at 2,183,000 metric tons for 1951, assumed to mean wheat and rye. 13/

Estimate, based upon Yugoslav published statistics (Dec 1951 and Jun 1952 are missing).

Residual after all other requirements filled.

Believed to be too large -- the requirement is nearer 2.1 million metric tons; 500,000 metric tons of corn, probably are stored on farms by the Government. After a drought year, peasants tend to store grain.

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Table 3

Yugoslavia: Preliminary Grain Balance Estimate for 1952-53

Grain	Production a/	Net Trade	Stocks b/	Total Supply	Non-Food Requirements				Food Requirements		Surplus (+) or Deficit (-)	
					Seed c/	Waste d/	Feed e/	Industrial f/	Total	Total Requirements		
												(Thousand Metric Tons)
wheat	1,900.0	0	11.5	1,911.6	325.3	38.2	20.0	25.0	408.5	129.8	2,163.7 h/	2,572.2
rye	253.3	0	61.1	314.4	52.1	6.3	5.0	15.0	78.4	8.3	138.3	216.7
barley	270.0	0	0	270.0	47.3	5.4	177.3	15.0	245.0	1.4	25.0	270.0
oats	232.0	0	0	232.0	50.9	4.6	176.5	0	232.0	0	0	232.0
corn	2,500.0	0	0	2,500.0	93.3	50.0	1,252.7	50.0	1,446.0	63.2	1,054.0 h/	2,500.0
Total	5,155.3	0	72.7	5,228.0	568.9	104.5	1,631.5 i/	105.0	2,409.9	202.7	3,381.0	5,790.9
												(-) 660.6
												(+) 97.7
												0
												0
												0
												(-) 562.9

Official Yugoslav statistics except for corn. Figure for corn is a CIA estimate based upon 1950. 14/

Over and above channel stocks; carried over from 1951-52 grain balance.

Same as 1951-52 balance.

Two percent total supply for all grains.

Wheat -- 1 percent of production; rye -- 2 percent of production.

Based upon prewar data. 15/

January 1953 population, 16,668,000.

Official Yugoslav claim. (Official total given as 2,302,000 metric tons of wheat -- interpreted as wheat and rye.)

Total grain required to maintain livestock numbers at January 1951 levels (numbers carried through 1950-51 drought year).

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APPENDIX

SOURCES

1. SD Tel 178, Belgrade, 15 Aug 1952; New York Times, 16 Aug 1952;
SD Tel 308, Belgrade, 7 Sep 1952.
2. Joint Weeka 33, Part II, Belgrade, 16 Aug 1952.
3. SD Desp 727, Belgrade, 2 Feb 1952.
4. SD Tel 308, Belgrade, 7 Sep 1952.
5. SD Tel 178, Belgrade, 15 Aug 1952.
6. MSA, TOMUS 27, Belgrade, 12 Jul 1952.
7. Ibid.
8. SD Tel 231, Belgrade, 24 Aug 1952.
9. SD Tel 308, Belgrade, 7 Sep 1952.
10. SD Desp Belgrade, 108, 15 Aug 1952.
11. SD Desp 57, Belgrade, 24 Jul 1952.
12. MSA Cable 27, Belgrade, 12 Jul 1952.
13. SD Tel 308, Belgrade, 7 Sep 1952.
14. Ibid.
15. Ibid.